

DIRECT TESTIMONY

OF

JOHN R. HENDRIX

ON BEHALF OF

SOUTH CAROLINA ELECTRIC & GAS COMPANY

DOCKET NO. 2005-2-E

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. John R. Hendrix, 1426 Main Street, Columbia, South Carolina.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am Manager of Electric Pricing and Rate Administration at SCANA Services, Inc.

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I am a graduate of the University of South Carolina where I received a Bachelor of Science degree in Business Administration with a major in marketing. Since joining South Carolina Electric & Gas Company (SCE&G or Company) in August, 1983, I have held various positions within the Rate Department. In November, 1999, I assumed my present position. I have participated in cost of service studies, rate development and design, and rate evaluation programs for both the electric and gas operations. I am a member of the Southeastern Electric Exchange Rate Section.

Q. WILL YOU BRIEFLY SUMMARIZE YOUR DUTIES WITH SOUTH CAROLINA ELECTRIC & GAS COMPANY?

1 A. I am responsible for the design and administration for the Company's electric rates and
2 tariffs including the electric fuel adjustment. In addition, I am responsible for the
3 Company's electric cost allocation studies.

4 **Q. MR. HENDRIX, WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
5 **PROCEEDING?**

6 A. The purpose of my testimony is to provide the actual fuel cost data for the period March
7 2004 through January 2005, the historical period under review in this proceeding. I will
8 also provide a projection for fuel cost for the period of February through April 2005 and
9 the computations for the projected fuel cost per kilowatt-hour (KWH) of sales for the
10 period May 2005 through April 2006, along with the Company's recommended fuel rate
11 for the period ending April 2006.

12 **Q. WHAT IS THE COMPANY'S CURRENTLY APPROVED RATE FOR FUEL**
13 **COST?**

14 A. On April 29, 2004, the Commission approved a 1.821 cents per KWH fuel component,
15 which was in effect for the period May 2004 through January 5, 2005; however, the
16 Commission in Order No. 2005-2 dated January 6, 2005, approved a 1.764 cents per
17 KWH fuel component which is currently in effect.

18 **Q. WILL YOU PLEASE EXPLAIN EXHIBIT NO. ____ (JRH-1)?**

19 A. Exhibit No. ____ (JRH-1) shows the actual fuel cost and over/under recovery of fuel
20 revenue experienced by the Company for the months of March 2004 through January
21 2005, as well as the forecast for February, March and April, 2005. As shown on this
22 Exhibit, the Company has an actual under collection of \$24,190,208 as of the end of

1 January 2005. The forecasted balance through April 2005 is an under collection of
2 \$37,949,440.

3 **Q. WILL YOU PLEASE EXPLAIN EXHIBIT NO.____ (JRH-2)?**

4 A. Exhibit No.____ (JRH-2) contains the Company's fuel cost forecast and projected
5 recovery calculations by month for May 2005 through April 2006. This exhibit reflects
6 the monthly and cumulative over and under projected fuel cost collection expected by the
7 Company using its recommended fuel rate. The projection shows an under recovery of
8 \$37,949,440 through April 2005 and a balance at period end as close to zero as possible.

9 **Q. BY WHAT PROCESS DO YOU DEVELOP YOUR FUEL FACTOR FOR**
10 **SCE&G'S RATES?**

11 A. As Mr. Lynch indicates in his testimony, we receive the output from the PROSYM model
12 from the Resource Planning Department. This data is loaded onto spreadsheets along
13 with fuel ending inventories, emission allowances, forecasted fuel prices and information
14 regarding operations to determine projected fuel costs for February, March and April,
15 2005, as well as the twelve months ending April 2006.

16 **Q. WILL YOU PLEASE EXPLAIN EXHIBIT NO.____ (JRH-3)?**

17 A. Exhibit No.____ (JRH-3) provides the calculation of the projected fuel component for the
18 twelve-month period May 2005 through April 2006, as well as the Company's fuel rate
19 recommendation. For the twelve months May 2005 through April 2006 the base fuel cost
20 is 2.342 cents per KWH, which includes 0.172 cents per KWH to recover the anticipated
21 under collection.

22 **Q. MR. HENDRIX, WHAT FUEL COMPONENT IS THE COMPANY PROPOSING**
23 **IN THIS PROCEEDING?**

1 A. The Company is proposing that the fuel component be set at 2.342 cents per KWH
2 effective for bills rendered on and after the first billing cycle of May 2005 and continuing
3 through the billing month of April 2006.

4 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 A. Yes.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

FUEL COSTS REPORT

ACTUAL 2004

LINE NO.	<u>MARCH</u> \$	<u>APRIL</u> \$	<u>MAY</u> \$	<u>JUNE</u> \$	<u>JULY</u> \$	<u>AUGUST</u> \$	<u>SEPTEMBER</u> \$	<u>OCTOBER</u> \$
1. TOTAL COST OF FOSSIL FUEL BURNED	25,394,433	25,418,298	38,910,431	37,668,610	39,824,647	37,285,024	29,028,435	23,645,402
2. NUCLEAR FUEL	2,341,438	1,486,796	2,443,348	2,363,408	2,441,477	2,441,840	2,365,763	2,446,865
3. PURCHASED AND INTERCHANGE POWER FUEL COSTS	2,619,643	7,883,505	8,364,233	9,364,118	11,498,396	10,259,900	9,630,390	10,713,083
4. FUEL RECOVERED THROUGH INTERSYSTEM SALES	<u>3,167,578</u>	<u>937,114</u>	<u>4,968,984</u>	<u>4,979,530</u>	<u>6,153,718</u>	<u>6,215,664</u>	<u>4,140,731</u>	<u>3,159,210</u>
5. TOTAL FUEL COSTS (LINES 1+2+3-4)	27,187,936	33,851,485	44,749,028	44,416,606	47,610,802	43,771,100	36,883,857	33,646,140
6. TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES (KWH)	1,795,784,607	1,598,901,484	1,797,954,971	2,237,720,577	2,295,097,885	2,247,839,912	2,046,684,165	1,787,092,704
7. FOSSIL FUEL COST PER KWH SALES	0.015140	0.021172	0.024889	0.019849	0.020745	0.019473	0.018021	0.018827
8. LESS BASE COST PER KWH INCLUDED IN RATES	0.016780	0.016780	0.018210	0.018210	0.018210	0.018210	0.018210	0.018210
9. FOSSIL FUEL ADJUSTMENT PER KWH	(0.00164)	0.00439	0.00668	0.00164	0.00254	0.00126	(0.00019)	0.00062
10. OVER/UNDER RECOVERY REVENUE KWH	1,683,013,354	1,489,107,437	1,656,214,266	2,091,538,341	2,137,305,492	2,100,838,843	1,922,685,836	1,678,212,713
11. OVER/UNDER RECOVERY REVENUE	(2,760,142)	6,537,182	11,063,511	3,430,123	5,428,756	2,647,057	(365,310)	1,040,492
12. ADJUSTMENT	649,677	(117,811)	(25,433,968)	0	83,662	(21,373)	0	0
13. FIXED CAPACITY CHARGES	(673,417)	(673,417)	(673,417)	(673,417)	(673,417)	(673,417)	(673,417)	(673,417)
14. NET OVER/UNDER RECOVERY REVENUE	(2,783,882)	5,745,954	(15,043,874)	2,756,706	4,839,001	1,952,267	(1,038,727)	367,075
15. CUMULATIVE UNDER(OVER) \$20,532,261	17,748,379	23,494,333	8,450,459	11,207,165	16,046,166	17,998,433	16,959,706	17,326,781

Exhibit No. ____ (JRH-1)

SOUTH CAROLINA ELECTRIC & GAS COMPANY

FUEL COSTS REPORT

LINE NO.	ACTUAL 2004 - 2005				FORECAST 2005		
			OLD BASE FACTOR	NEW BASE FACTOR			
	NOVEMBER	DECEMBER	JANUARY	JANUARY	FEBRUARY	MARCH	APRIL
	\$	\$		\$	\$	\$	\$
1. TOTAL COST OF FOSSIL FUEL BURNED	25,356,418	30,131,524	34,322,714	34,322,714	25,593,000	23,790,000	28,923,000
2. NUCLEAR FUEL	2,370,413	2,170,690	2,447,788	2,447,788	2,049,000	2,274,000	1,683,000
3. PURCHASED AND INTERCHANGE POWER FUEL COSTS	9,723,820	10,233,150	11,845,383	11,845,383	13,013,000	13,820,000	11,634,000
4. FUEL RECOVERED THROUGH INTERSYSTEM SALES	<u>4,465,823</u>	<u>6,532,888</u>	<u>8,107,274</u>	<u>8,107,274</u>	<u>3,592,000</u>	<u>2,267,000</u>	<u>3,848,000</u>
5. TOTAL FUEL COSTS (LINES 1+2+3-4)	32,984,828	36,002,476	40,508,611	40,508,611	37,063,000	37,617,000	38,392,000
6. TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES (KWH)	1,678,565,193	1,796,540,265	1,930,223,247	1,930,223,247	1,844,000,000	1,753,000,000	1,677,000,000
7. FOSSIL FUEL COST PER KWH SALES	0.019651	0.020040	0.020986	0.020986	0.020099	0.021459	0.022893
8. LESS BASE COST PER KWH INCLUDED IN RATES	0.018210	0.018210	0.018210	0.017640	0.017640	0.017640	0.017640
9. FOSSIL FUEL ADJUSTMENT PER KWH	0.00144	0.00183	0.00278	0.00335	0.00246	0.00382	0.00525
10. OVER/UNDER RECOVERY REVENUE KWH	1,564,978,859	1,675,018,617	992,713,974	809,834,180	1,722,000,000	1,641,000,000	1,565,000,000
11. OVER/UNDER RECOVERY REVENUE	2,253,570	3,065,284	2,759,745	2,712,945	4,236,120	6,268,620	8,216,250
12. ADJUSTMENT	(1,625,842)	(83,459)	0	0	(211,009)	0	0
13. FIXED CAPACITY CHARGES	(673,417)	(673,417)	(108,616)	(763,366)	(1,583,583)	(1,583,583)	(1,583,583)
14. NET OVER/UNDER RECOVERY REVENUE	(45,689)	2,308,408	2,651,129	1,949,579	2,441,528	4,685,037	6,632,667
15. CUMULATIVE UNDER(OVER) \$17,326.781	17,281,092	19,589,500		24,190,208	26,631,736	31,316,773	37,949,440

SOUTH CAROLINA ELECTRIC & GAS COMPANY

FUEL COSTS REPORT

LINE NO.	2005 FORECAST					
	<u>MAY</u> \$	<u>JUNE</u> \$	<u>JULY</u> \$	<u>AUGUST</u> \$	<u>SEPTEMBER</u> \$	<u>OCTOBER</u> \$
1. TOTAL COST OF FOSSIL FUEL BURNED	44,231,000	44,960,000	52,584,000	51,745,000	38,279,000	32,108,000
2. NUCLEAR FUEL	202,000	2,000,000	2,066,000	2,066,000	2,000,000	2,088,000
3. PURCHASED AND INTERCHANGE POWER FUEL COSTS	15,453,000	12,738,000	14,902,000	13,617,000	12,661,000	8,947,000
4. FUEL RECOVERED THROUGH INTERSYSTEM SALES	<u>5,220,000</u>	<u>9,246,000</u>	<u>10,474,000</u>	<u>10,193,000</u>	<u>8,080,000</u>	<u>5,669,000</u>
5. TOTAL FUEL COSTS (LINES 1+2+3-4)	54,666,000	50,452,000	59,078,000	57,235,000	44,860,000	37,474,000
6. TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES (KWH)	1,830,000,000	2,097,000,000	2,320,000,000	2,339,000,000	2,225,000,000	1,876,000,000
7. FOSSIL FUEL COST PER KWH SALES	0.029872	0.024059	0.025465	0.024470	0.020162	0.019975
8. LESS BASE COST PER KWH INCLUDED IN RATES	0.023420	0.023420	0.023420	0.023420	0.023420	0.023420
9. FOSSIL FUEL ADJUSTMENT PER KWH	0.00645	0.00064	0.00205	0.00105	(0.00326)	(0.00345)
10. OVER/UNDER RECOVERY REVENUE KWH	1,709,000,000	1,967,000,000	2,169,000,000	2,185,000,000	2,093,000,000	1,758,000,000
11. OVER/UNDER RECOVERY REVENUE	11,023,050	1,258,880	4,446,450	2,294,250	(6,823,180)	(6,065,100)
12. ADJUSTMENT	0	0	0	0	0	0
13. FIXED CAPACITY CHARGES	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)
14. NET OVER/UNDER RECOVERY REVENUE	9,439,467	(324,703)	2,862,867	710,667	(8,406,763)	(7,648,683)
15. CUMULATIVE UNDER(OVER) \$37,949,440	47,388,907	47,064,204	49,927,071	50,637,738	42,230,975	34,582,292

Exhibit No. ____ (JRH-2)

SOUTH CAROLINA ELECTRIC & GAS COMPANY

FUEL COSTS REPORT

2005 - 2006 FORECAST

LINE NO.	<u>NOVEMBER</u>	<u>DECEMBER</u>	<u>JANUARY</u>	<u>FEBRUARY</u>	<u>MARCH</u>	<u>APRIL</u>
	\$	\$	\$	\$	\$	\$
1. TOTAL COST OF FOSSIL FUEL BURNED	28,850,000	32,941,000	35,369,000	28,565,000	26,316,000	27,426,000
2. NUCLEAR FUEL	2,018,000	2,088,000	2,088,000	1,882,000	2,088,000	2,018,000
3. PURCHASED AND INTERCHANGE POWER FUEL COSTS	9,549,000	11,036,000	11,175,000	10,581,000	10,638,000	8,313,000
4. FUEL RECOVERED THROUGH INTERSYSTEM SALES	<u>4,470,000</u>	<u>5,412,000</u>	<u>4,315,000</u>	<u>2,778,000</u>	<u>2,770,000</u>	<u>4,082,000</u>
5. TOTAL FUEL COSTS (LINES 1+2+3-4)	35,947,000	40,653,000	44,317,000	38,250,000	36,272,000	33,675,000
6. TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES (KWH)	1,712,000,000	1,854,000,000	1,987,000,000	1,881,000,000	1,789,000,000	1,707,000,000
7. FOSSIL FUEL COST PER KWH SALES	0.020997	0.021927	0.022303	0.020335	0.020275	0.019728
8. LESS BASE COST PER KWH INCLUDED IN RATES	0.023420	0.023420	0.023420	0.023420	0.023420	0.023420
9. FOSSIL FUEL ADJUSTMENT PER KWH	(0.00242)	(0.00149)	(0.00112)	(0.00309)	(0.00315)	(0.00369)
10. OVER/UNDER RECOVERY REVENUE KW	1,598,000,000	1,723,000,000	1,856,000,000	1,763,000,000	1,672,000,000	1,592,000,000
11. OVER/UNDER RECOVERY REVENUE	(3,867,160)	(2,567,270)	(2,078,720)	(5,447,670)	(5,266,800)	(5,874,480)
12. ADJUSTMENT	0	0	0	0	0	0
13. FIXED CAPACITY CHARGES	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)
14. NET OVER/UNDER RECOVERY REVENUE	(5,450,743)	(4,150,853)	(3,662,303)	(7,031,253)	(6,850,383)	(7,458,063)
15. CUMULATIVE UNDER(OVER) \$34,582,292	29,131,549	24,980,696	21,318,393	14,287,140	7,436,757	(21,306)

Exhibit No. ____ (JRH-2)

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
CALCULATION OF BASE FUEL COMPONENT**

**FORECAST
MAY 05 - APR 06
12 MONTHS**

1. PROJECTED DATA:

COST OF FUEL (\$000)	\$532,879
SYSTEM SALES (GWH)	23,617
AVERAGE COST (CENTS/KWH)	2.256

2. (OVER)/UNDER COLLECTION (\$000) THROUGH APRIL 2005	\$37,949
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SOUTH CAROLINA RETAIL SALES (GWH)	22,085
AVERAGE COST (CENTS/KWH)	0.172

3. BASE COST (CENTS/KWH):

PROJECTED FUEL COST	2.256
AVERAGE COST - FIXED TRANSPORTATION CHARGE (CENTS/KWH)*	<u>(0.086)</u>
PROJECTED FUEL COST LESS FIXED TRANSPORTATION CHARGE	2.17
(OVER)/UNDER RECOVERY RATE	<u>0.172</u>
TOTAL PROJECTED BASE FUEL COST	<u>2.342</u>

* The calculation for Average Cost - Fixed Transportation Charge (Cents/KWH) is (\$19,003) divided by retail sales (22,085 GWH).